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COUNTY OF SAN BENITO

SINGLE AUDIT REPORT

JUNE 30, 2008

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COUNTY OF SAN BENITO

Single Audit Report
For the Year Ended June 30, 2008

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GRACE & ASSOCIATES
Certified Public Accountants and Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Supervisors
County of San Benito
Hollister, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Benito, as of and for the year ended June 30, 2008, which collectively comprise the County of San Benito's basic financial statements and have issued our report thereon dated December 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of San Benito's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of San Benito's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of San Benito's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of San Benito's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of San Benito's financial statements that is more than inconsequential will not be prevented or detected by the County of San Benito's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of San Benito's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Supervisors
County of San Benito
Hollister, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of San Benito's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of County of San Benito, in a separate letter dated December 31, 2008.

This report is intended solely for the information and use of management, the audit committee, Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grace & Associates CPAs

Hollister, California
December 31, 2008

GRACE & ASSOCIATES
Certified Public Accountants and Consultants

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Supervisors
County of San Benito
Hollister, California

Compliance

We have audited the compliance of the County of San Benito, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County of San Benito's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of San Benito's management. Our responsibility is to express an opinion on the County of San Benito's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of San Benito's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of San Benito's compliance with those requirements.

In our opinion, the County of San Benito, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the County of San Benito is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of San Benito's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of San Benito's internal control over compliance.

County of San Benito
Hollister, California

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The County of San Benito's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of San Benito's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Benito, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 31, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of San Benito's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hollister, California
December 31, 2008

COUNTY OF SAN BENITO
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

U.S. Department of Agriculture

Passed through State Department of Social Services			
Food Stamp Program	10.551*	\$	4,716,524
State Administrative Matching Grants for Food Stamp Progr	10.561*		320,933
Total U.S. Department of Agriculture			<u>5,037,457</u>

U.S. Department of Housing and Urban Development

Passed through the State Department of Housing and Community Development			
Community Development Block Grant/State Program	14.228	04-STBG-1978	
Community Development Block Grant/State Program	14.228		381,644
Subtotal			<u>381,644</u>
Federal Emergency Shelter Grant	14.231	04-FESG-0241	
HOME/PI Recaptured Funds	14.239	94-HOME-0109/Recaptured	1,940
Total U.S. Department of Housing and Urban Development			<u>383,584</u>

U.S. Department of Justice

Passed through State Office of Emergency Services			
Victim Witness	16.500	VW05220350	49,992
State/Regional Narcotic Task Force Program	16.579	DC05160350	124,046
Total U.S. Department of Justice			<u>174,038</u>

U.S. Department of Labor

Passed through the Employment Development Department			
WIA - Adult	17.258	R760344/Code 201	4,965
WIA - Adult	17.258	R760344/Code 202	16,913
WIA - Adult	17.258	R760344/Code 203	291
WIA - Adult	17.258	R865480/Code 201	41,306
WIA - Adult	17.258	R865480/Code 202	178,852
Subtotal			<u>242,327</u>
WIA - Youth	17.259	R760344/Code 301	38,378
WIA - Youth	17.259	R760344/Code 302	5,047
WIA - Youth	17.259	R865480/Code 301	65,296
WIA - Youth	17.259	R865480/Code 302	179,694
WIA - Youth	17.259	R970560/Code 301	11,983
Subtotal			<u>300,398</u>
WIA - Incentive	17.260	R760344/Code 113	642
WIA - Dislocated Worker	17.260	R760344/Code 501	11,812
WIA - Dislocated Worker	17.260	R760344/Code 502	14,694
WIA - Dislocated Worker	17.260	R760344/Code 503	521
WIA - Dislocated Worker	17.260	R865480/Code 501	58,766
WIA - Dislocated Worker	17.260	R865480/Code 502	144,729
WIA - Dislocated Worker	17.260	R865480/Code 540	22,366
WIA - Dislocated Worker	17.260	R865480/Code 541	68,591
Subtotal			<u>322,121</u>
Total U.S. Department of Labor			<u>864,846</u>

COUNTY OF SAN BENITO
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

U.S. Department of Transportation

Passed through State Department of Transportation			
Highway Planning and Construction - FHWA	20.205*	BRLO-5943 (012)	1,054,039
Highway Planning and Construction - FHWA	20.205*	BRLS-5943 (009)	996,548
Highway Planning and Construction - FHWA	20.205*	BRLO-5943 (014)	149,446
Highway Planning and Construction - FHWA	20.205*	BRKLS-NBIL (501)	93,461
Highway Planning and Construction - FHWA	20.205*	BRLS-5943 (043)	646
Total U.S. Department of Transportation			<u>2,294,140</u>

U. S. Department of Health and Human Services

Passed through the State Department of Social Services			
Preservation of Safe and Stable Families	93.556		46,463
Temporary Assistance for Needy Families	93.558*		5,255,806
Child Welfare-TANF	93.558*		242,600
Child Support Enforcement	93.563*		1,287,452
Child Welfare-State Grants	93.645		48,712
Foster Care - Title IV-E	93.658*		624,573
Probation - Title IV-E	93.658*		139,935
Child Welfare Service	93.658*		444,802
Adoption Assistance	93.659		185,577
Child Welfare Services- Title XX	93.667		12,523
Independent Living	93.674		25,487
Subtotal			<u>8,313,930</u>
Passed through the State Department of Health			
California Children's Services (CCS)	93.767		558,685
Targeted Case Management (TCM)	93.778*		124,605
Local Health Preparedness	93.778*		322,022
Medi-Cal - Title XIX	93.778*		734,155
Maternal Child Health	93.994	200235-2	85,168
Child Health and Disability Prevention	93.994		135,749
Child Health and Disability Prevention - Foster Care	93.994		6,729
Adolescent Family Life Program	93.994	200235-2	56,988
Subtotal			<u>2,024,101</u>
Passed through the State Department of Mental Health Substance Abuse and Mental Health Services Administration			
(SAMHSA)	93.958		43,335
Substance Abuse Prevention and Treatment	93.959		457,542
IDEA-County Office of Education	84.027		49,869
Medi-Cal Admin Activities -Title XIX	93.778*		844,316
Safe & Drug Free School Communities	84.186		6,269
Subtotal			<u>1,401,331</u>
Passed through State Department of Community Services and Development			
Low Income Home Energy Assistance Program	93.568	06B-5383	184
Low Income Home Energy Assistance Program	93.568	07B-5433	8,955
Low Income Home Energy Assistance Program	93.568	08B-5433	29,241
Subtotal			<u>38,380</u>
Community Service Block Grant	93.569	06F-4735	106,579
Community Services Block Grant	93.569	08F-4935	133,886
Subtotal			<u>240,465</u>
Total Department of Health and Human Services			<u>12,018,207</u>

COUNTY OF SAN BENITO
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

U.S. Department of Homeland Security

Direct Program

Emergency Food and Shelter Program	97.024	26-0828-001	5,065
Subtotal			<u>5,065</u>

Passed through the State Office of Homeland Security

FED-HSG	97.074	2005-15	150,447
FED-HSG - Emergency Management Performance Grant	97.042	2006-8	<u>56,453</u>

Subtotal			206,900
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Total U.S. Department of Homeland Security			<u>211,965</u>
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Total Expenditures of Federal Awards			<u>\$ 20,984,236</u>
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COUNTY OF SAN BENITO

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of San Benito. The County of San Benito's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Note 2: **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is prepared on a basis other than that used to record transactions in the accounting records and as reported in the basic financial statements. Sources of information for preparation of the Schedule of Expenditures of Federal Awards varies, depending on the accounting practices and reporting requirements of the department implementing the program.

Note 3: **Relationship to Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

Note 4: **Food Stamps**

Food stamp expenditures represent the face value of food stamps distributed by the County. They do not represent cash expenditures in the County's basic financial statements for the year ended June 30, 2008.

COUNTY OF SAN BENITO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|--|---------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be Reported in accordance with Circular OMB A-133, Section 510 (a)? | No |
| 4. Identification of major programs: | |

CFDA Number

Name of Federal Program

10.551	Food Stamps
10.561	State Administrative Matching Grants for Food Stamp Program
20.205	Highway Plan. & Construction
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.658	Foster Care – Title IV - E
93.778	Medi-Cal

COUNTY OF SAN BENITO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Summary of Auditor's Results

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between
Type A and Type B programs | \$629,527 |
| 6. Auditee qualified as a low-risk auditee under
OMB Circular A-133, Section 530? | Yes |

Section 2

Financial Statement Findings

None Reported.

Section 3

Federal Award Findings and Questioned Costs

None Reported.

Section 4

Status of Prior Year Findings and Questioned Costs

None Reported.